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SUBJECT: CENTRAL CHINA EXPO HIGHLIGHTS ACHIEVEMENTS, DOWNPLAYS
ECONOMIC SLOWDOWN

REF: SHANGHAI 209

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11. (SBU) Summary. On April 25-26, Shanghai Deputy Principal Officer and ConOff traveled to Hefei, Anhui, to attend the 2009 Central China Expo. This annual gathering aims to promote the 'Rise of Central China' through investment and economic development in the six Central Chinese provinces of Hunan, Hubei, Anhui, Shanxi, Jiangxi, and Henan. State Council Vice-Premier Wang Qishan and other Chinese government officials used the event as a platform to call for transparency and rule of law in Central China. Governors from the six Central China provinces highlighted their efforts to build more attractive investment environments by improving infrastructure and promoting science and technology. Investors and trade representatives who attended the expo expressed mixed views about the benefits of investing in Central China. Deputy Principal Officer and ConOff's attendance at this event continued increased Consulate outreach to officials, organizations and events in Anhui; Consul General's early April meetings with provincial and Hefei municipal officials was reported reftel. End Summary.

Spotlight on Central China

12. (SBU) Hotels in Hefei were filled to capacity on April 25-28 as the provincial capital struggled to accommodate the 16,000 visitors expected to attend the fourth annual Central China Expo. The expo, this year entitled 'Innovation, Cooperation, Win-Win Rising,' was the largest-scale gathering ever to take place in Hefei. Besides investors and business representatives, the expo also attracted cultural associations, sister city representatives, and foreign diplomats. The Anhui Foreign Affairs Office hosted the Deputy Principal Officer and ConOff, along with Ambassador Madibo Wagidoso of Uganda, the Consul Generals from the Romanian, Polish and Nigerian consulates in Shanghai, and diplomats from the UK, Russia, and Pakistan, for a three-day visit combining the Central China Expo in Hefei and a tour of factories in nearby Huoshan County.

13. (SBU) In addition to encouraging a shift of investment and industry westward from China's eastern provinces, the Central China Expo is intended to showcase the provinces' recent economic growth and reinforce self-confidence among the six provinces. An impressive April 25 dance and music performance was held in the Hefei Olympic Sports Center to kick off the expo. The April 26 opening ceremony featured China's State Council Vice-Premier Wang Qishan, Philippines Vice President Noli De Castro, Taiwan's New Party Chairman, the Chief Executives of Hong Kong and Macao, and the governors of each of the six provinces, all of whom delivered speeches at the opening day business summit.

Calls for Increased Transparency

14. (SBU) State Council Vice-Premier Wang's speech outlined the measures the six Central Chinese provinces must take in order to maintain steady economic growth in the face of the global economic crisis. While the six provinces' GDPs are higher than the all-China average and the provinces' transportation infrastructure has been steadily improving, Vice-Premier Wang called on the Central China provincial governments to accelerate efforts toward scientific development, urbanization, and industrialization. At the same time, he emphasized the importance of stimulating rural markets and developing the food, energy, raw material, equipment manufacturing, and transportation sectors. He stressed the need for accelerated institutional reform and an open, uniform market system that serves as a stable environment for domestic and foreign investors. Finally, he pointed to the importance of rule of law

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and coordination between provincial and sub-provincial governments in order to create a more pro-business environment in Central China.

15. (SBU) The theme of openness and transparency reemerged in speeches by Hong Kong SAR Chief Executive Donald Tsang and two of the provincial governors. Chief Executive Tsang said that, while Hong Kong companies plan to continue investing in the six provinces of Central China, their greatest concern remains the local governments' ability to provide proper regulatory conditions. Jiangxi Province Governor Wu Xinxiong cited his government's efforts to increase honesty and efficiency in order to create a better business environment, and Hunan Province Governor Zhou Qiang mentioned that his provincial government had 'scaled up efforts to deepen reforms and open wider.'

The Path to Prosperity: Infrastructure and Science

16. (SBU) Infrastructure development remains one of the top priorities of the six Central China provinces, and five of the provincial governors made reference to infrastructure in their speeches. Anhui Province Governor boasted of the rapidly improving express railway network connecting Anhui to Shanghai and other regional capitals. Shanxi Province Governor Wang Jun cited plans to invest RMB 650 billion in the construction of 6000 additional kilometers of railway and highway, as well as 6 airports, 20 million kilowatts of power plants, and 9000 kilometers of power grids.

17. (SBU) Five of the provincial governors emphasized science and technology as the other essential component for Central China's rise. Henan Province Governor Guo Gengmao said that scientific development in the provinces is crucial but that Central China must first tackle the challenges of industrial modernization, urban modernization, and human resources. Hubei Province Governor Li Hongzhong spoke of his province's efforts to develop advanced manufacturing and high-tech industries as evidence of its `scientific outlook on development.'

18. (SBU) Within the broader theme of economic development, four governors stressed the importance of environmental protection. According to Hunan Province Governor Zhou Qiang, his province is making special efforts to attract investment in resource conservation and environmental protection projects, particularly in the Changsha-Zhuzhou-Xiangtan city cluster. Hubei Province Governor Li Hongzhong boasted that his provincial capital, Wuhan, has been selected as `a pilot region for building a resource efficient and environment friendly society.'

Still a Hard Sell

19. (SBU) Barry Nicholson, Consul in UK Trade and Investment at the British Consulate in Shanghai, said that the enthusiasm for Central China is not matched by UK investors. Although the British retail giant Tesco has opened a store in Hefei and is currently negotiating to open additional stores in Anhui Province, other big UK firms have not yet made large-scale investments in Anhui. According to Nicholson, most UK companies prefer to concentrate their investments in large coastal cities that have already experienced foreign investment and learned how to accommodate foreign firms. UK firms still see ample opportunity in eastern China and are not inclined to try to `reinvent the wheel` in less developed and lesser-known parts of China.

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But Some Small Fish Do Fare Better in Small Ponds

110. (SBU) For other foreign companies, Central China offers opportunities that are unavailable or inaccessible in East China. Jouni Kahkonen has recently begun working as general manager in charge of China operations at a small Finnish renewable energy company called The Switch. In China, his company manufactures and sells generators and convertors for wind turbines. He expects that The Switch will capture a large part of the Chinese wind energy market, which has already grown quickly and is positioned for continued rapid growth thanks to China's Renewable Energy Law (REL) and the target the Chinese government has set to produce 15 percent of the country's energy from renewable sources by 2020. While his company's China headquarters are in Beijing, he has had difficulty gaining access to officials and company executives there and often have neither the time nor the interest to hear about the business activities his company is trying to pursue in China. The small size of his firm is one of the factors that he took into consideration when deciding to place its China manufacturing facility in Anhui rather than in Zhejiang or Jiangsu. For him, the biggest benefits of doing business in Anhui are location and access. Most of the parts used to build his generators and convertors are manufactured in nearby Zhejiang and Jiangsu and

are easily transported to Anhui, and as an added bonus, he gets preferential access to Anhui provincial and local government officials, who are pleased that his firm has chosen Anhui as its China manufacturing base. (Note: Kahkonen said that his company has sought but not obtained reduced tax rates despite the preferential tax policies Anhui advertises to attract foreign investors. End Note.)

Comment: What about the Global Slowdown?

¶11. (SBU) Chinese government officials at the Central China Expo all noted the current global economic downturn as a factor in their economic planning, but they all claimed to be optimistic about prospects for continued growth. Perhaps because they were competing for inbound investment, they did not raise social stability issues such as unemployment or the problems of displaced migrant laborers, although in other contexts Anhui officials at least have been willing to discuss these issues. It appears that money from the Chinese government's stimulus package has relatively quickly trickled down to the provincial level and the six Central China provinces have off-the-shelf plans to draw on these resources, particularly through infrastructure investment. Whether or not Central China can gain from the global economic slowdown by attracting East China companies looking to cut costs remains to be seen. End Comment.
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